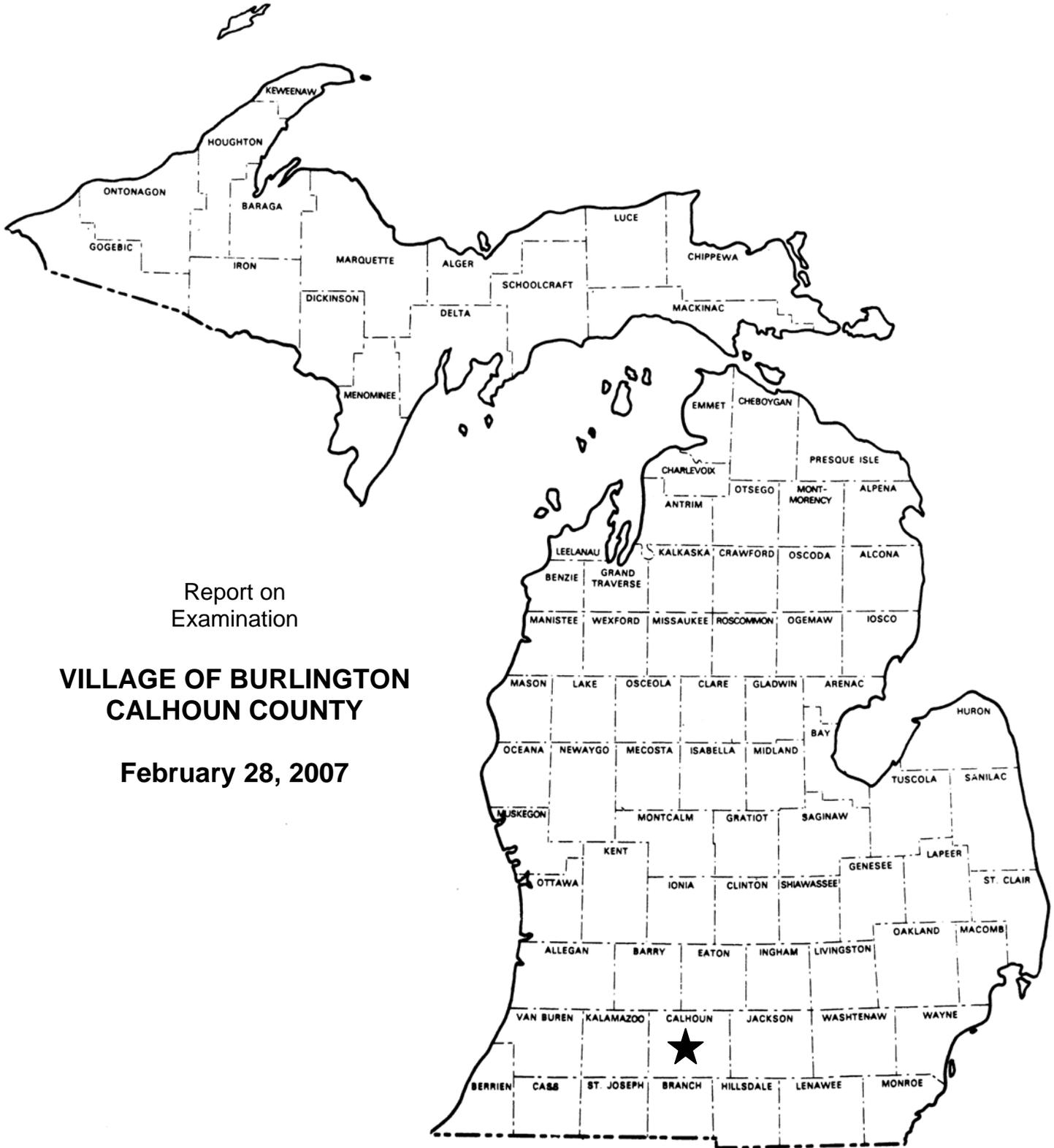


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**VILLAGE OF BURLINGTON
CALHOUN COUNTY**

February 28, 2007

VILLAGE OF BURLINGTON

VILLAGE COUNCIL

Sandra Dowell
President

Dan Caldwell
Council Member

Gary Hughes
Council Member

Shirley Jeffries
Council Member

Ken Jeffries
Council Member

Jackie Gibson
Council Member

Darlene Mack
Clerk

Carol Hughes
Treasurer

VILLAGE POPULATION--2000

294

VILLAGE TAXABLE VALUATION--2006

\$3,483,600



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

July 5, 2007

Village Council
Village of Burlington
356 East Leroy
Burlington, Michigan 49029

RE: Unqualified Opinions on Basic Financial Statements Accompanied by Required
Supplementary Information and Supplementary Information

Independent Auditor's Report

Dear Council Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Burlington, Calhoun County, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village of Burlington's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Burlington's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Burlington, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 5, 2007 on our consideration of the Village of Burlington's internal control over financial reporting

and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 4 and the budgetary comparisons for major funds in Exhibits E through I are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Burlington's basic financial statements. The accompanying supplementary information in Exhibits H through I are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The general fund detail in the schedule of revenues and expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

VILLAGE OF BURLINGTON

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VILLAGE OF BURLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village of Burlington, as a whole, and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's net assets decreased approximately 1%, or \$3,499, from \$309,943 to \$313,442 for the year ended February 28, 2007. The investment in capital assets-net of related debt increased by \$45,207 and the unrestricted net assets decreased by \$58,119 due to the purchase of the new backhoe and property for the village/township shared facility. The restricted assets increased \$16,411 during 2007. The restricted net assets grew as funds are being set aside for future road projects.

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charges or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets-net or related debt) are considered restricted.

Net assets as of year ended February 28, 2007, as follows:

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2007</u>	<u>Difference</u>	<u>Percent</u>
Current Assets	\$ 268,797	\$ 220,003	\$ (48,794)	-18%
Noncurrent Assets	<u>49,625</u>	<u>94,832</u>	<u>45,207</u>	<u>91%</u>
Total Assets	<u>318,422</u>	<u>314,835</u>	<u>(3,587)</u>	<u>-1%</u>
Current Liabilities	<u>8,479</u>	<u>1,393</u>	<u>(7,086)</u>	<u>-84%</u>
Total Liabilities	<u>8,479</u>	<u>1,393</u>	<u>(7,086)</u>	<u>-84%</u>
Net Assets				
Invested in Capital Assets				
Net of Debt	49,625	94,832	45,207	91%
Restricted	53,224	69,635	16,411	31%
Unrestricted (Deficit)	<u>207,094</u>	<u>148,975</u>	<u>(58,119)</u>	<u>-28%</u>
Total Net Assets	<u>\$ 309,943</u>	<u>\$ 313,442</u>	<u>\$ 3,499</u>	<u>1%</u>

VILLAGE OF BURLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current year to the prior year:

	<u>Governmental Activities</u> <u>2005</u>	<u>Governmental Activities</u> <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 7,377	\$ 9,600	\$ 2,223	30%
Operating Grants and Contributions	30,430	32,034	1,604	5%
General Revenues				
Property Taxes	33,509	35,455	1,946	6%
State-Shared Revenues	44,331	42,725	(1,606)	-4%
Unrestricted Investment Earnings	971	1,539	568	58%
Rents	2,666	4,198	1,532	57%
Other	<u>2,604</u>	<u>6,062</u>	<u>3,458</u>	<u>100%</u>
Total Revenues	<u>121,888</u>	<u>131,613</u>	<u>9,725</u>	<u>8%</u>
Program Expenses				
General Government	36,128	40,557	4,429	12%
Public Works	15,854	82,292	66,438	419%
Recreation and Culture	4,963	5,079	116	2%
Other	<u>13,633</u>	<u>12,510</u>	<u>(1,123)</u>	<u>-8%</u>
Total Expenses	<u>70,578</u>	<u>140,438</u>	<u>69,860</u>	<u>99%</u>
Change in Net Assets	<u>\$ 51,310</u>	<u>\$ (8,825)</u>	<u>\$ (60,135)</u>	<u>-117%</u>

VILLAGE OF BURLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Village's total governmental fund balance decreased by \$41,708. Revenues increased by \$9,725 or 8% primarily due to the increased rental income received for establishing a cell phone tower. Expenditures increased by approximately \$114,711 or 149% during the year. This was primarily due to the purchase new equipment and seal coating done to the streets.

	Governmental Activities <u>2005</u>	Governmental Activities <u>2007</u>	Amount Difference <u>2007</u>	Percent Difference <u>2007</u>
Revenues				
Taxes	\$ 33,509	\$ 35,455	\$ 1,946	6%
State Grants	74,166	70,993	(3,173)	-4%
Interest and Rentals	11,609	19,103	7,494	65%
Other	<u>2,604</u>	<u>6,062</u>	<u>3,458</u>	<u>133%</u>
Total Revenues	<u>121,888</u>	<u>131,613</u>	<u>9,725</u>	<u>8%</u>
Expenses				
General Government	32,458	36,875	4,417	14%
Public Works	14,387	77,636	63,249	440%
Recreation and Culture	4,963	5,079	116	2%
Other	13,633	12,510	(1,123)	-8%
Capital Outlay	<u>11,379</u>	<u>59,431</u>	<u>48,052</u>	<u>422%</u>
Total Expenses	<u>76,820</u>	<u>191,531</u>	<u>114,711</u>	<u>149%</u>
Excess of Revenues Over Expenditures	<u>45,068</u>	<u>(59,918)</u>	<u>(104,986)</u>	<u>-233%</u>
Beginning Fund Balance	<u>215,250</u>	<u>278,528</u>	<u>63,278</u>	<u>29%</u>
Ending Fund Balance	<u>\$ 260,318</u>	<u>\$ 218,610</u>	<u>\$ (41,708)</u>	<u>-16%</u>

The Village's Funds

Our analysis of the Village's major funds begins on page 7, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2007 include the General Fund, the Major Street Fund, and the Local Street Fund.

VILLAGE OF BURLINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund pays for most of the Village's governmental services. The most significant are for general government services, which incurred expenses of approximately \$36,875 in 2007. These services are partially supported by operating millages and State revenue sharing. The Major Street Fund and Local Street Fund are run by State gas and weight tax revenues.

General Fund Budgetary Highlights

The Village adopted its budget for the 2006/2007 fiscal year and large increases were made to account for the purchase of the new capital assets and maintenance done on the local roads.

Capital Asset and Debt Administration

At the end of 2007, the Village had \$94,832 invested in a broad range of capital assets, including buildings, office equipment, land, and vehicles. In addition, the village has invested significantly in roads within the Village. The Village does not have any long term debt.

Economic Factors and Next Year's Budgets and Rates

In the upcoming year, the Village will continue to monitor and increase the budget as necessary as the project for building a combined village/township hall continues. The council is striving to achieve the most services it can provide to the village residents for road and park improvements as the funding becomes available.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office.

**VILLAGE OF BURLINGTON
GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
February 28, 2007**

EXHIBIT A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Bank Deposits and Investments	\$ 192,728
Delinquent Taxes Receivable	7,904
Accounts Receivable	1,600
Due From State	<u>17,771</u>
Total Current Assets	<u>220,003</u>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	<u>94,832</u>
Total Assets	<u>314,835</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accrued Liabilities	<u>1,393</u>
Total Liabilities	<u>1,393</u>
NET ASSETS	
Investment in Capital Assets--Net of Related Debt	94,832
Restricted for	
Major Street	47,042
Local Street	15,083
Sidewalk and Recreation	7,510
Unrestricted	<u>148,975</u>
Total Net Assets	<u>\$ 313,442</u>

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF BURLINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2007**

EXHIBIT C

	SPECIAL REVENUE FUNDS				Total Governmental Funds
	General	Major Street	Local Street	Nonmajor Governmental	
<u>ASSETS</u>					
Bank Deposits and Investments	\$ 129,398	\$ 43,109	\$ 14,311	\$ 5,910	\$ 192,728
Delinquent Taxes Receivable	7,904				7,904
Accounts Receivable				1,600	1,600
Due From State	12,890	3,553	1,328		17,771
Due From Other Funds	176	380			556
Total Assets	\$ 150,368	\$ 47,042	\$ 15,639	\$ 7,510	\$ 220,559
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Due to Other Funds			\$ 556		\$ 556
Accrued Liabilities	\$ 1,393				1,393
Total Liabilities	1,393	\$ -	556	\$ -	1,949
Fund Balances					
Unreserved--Undesignated	148,975	47,042	15,083	7,510	218,610
Total Fund Balance	148,975	47,042	15,083	7,510	218,610
Total Liabilities and Fund Balance	\$ 150,368	\$ 47,042	\$ 15,639	\$ 7,510	\$ 220,559

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	\$ 94,832
Net Assets of Governmental Activities	\$ 313,442

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BURLINGTON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended February 28, 2007

EXHIBIT D

	SPECIAL REVENUE FUNDS				Total Governmental Funds
	General	Major Street	Local Street	Nonmajor Governmental	
Revenues					
Taxes and Penalties	\$ 35,455				\$ 35,455
State Grants	43,967	\$ 19,672	\$ 7,354		70,993
Interest and Rentals	5,737	3,241	478	\$ 9,647	19,103
Other Revenue	6,062				6,062
Total Revenues	91,221	22,913	7,832	9,647	131,613
Expenditures					
Current					
General Government	36,875				36,875
Public Works	10,485	2,401	49,750	15,000	77,636
Recreation and Cultural	5,079				5,079
Other	12,510				12,510
Capital Outlay	59,431				59,431
Total Expenditures	124,380	2,401	49,750	15,000	191,531
Excess of Revenues Over (Under) Expenditures	(33,159)	20,512	(41,918)	(5,353)	(59,918)
Other Financing Sources (Uses)					
Interfund Transfers In			20,306		20,306
Interfund Transfers (Out)	(15,290)	(5,016)			(20,306)
Total Other Financing Sources (Uses)	(15,290)	(5,016)	20,306	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(48,449)	15,496	(21,612)	(5,353)	(59,918)
Fund Balance--March 1, 2006	197,424	31,546	36,695	12,863	278,528
Fund Balance--February 28, 2007	\$ 148,975	\$ 47,042	\$ 15,083	\$ 7,510	\$ 218,610
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses					\$ (59,918)
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.					51,093
Change in Net Assets of Governmental Activities					<u>\$ (8,825)</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF BURLINGTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Burlington (village) is located in Calhoun County and operates under a general law village form of government. The village provides services to its 294 residents in many areas including public works and general government. The Village of Burlington is a general law village governed by a six member council and president elected by the citizens of the village.

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the village (the primary government) and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included.

The individual component units discussed below are included in the village's reporting entity because of the significance of their operational or financial relationships with the village.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

VILLAGE OF BURLINGTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The village reports the following major governmental funds:

The General Fund is the village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

VILLAGE OF BURLINGTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the village's policy to use restricted first, then unrestricted resources as they are needed.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	20 to 40 years
Equipment	3 to 10 years
Vehicles	5 to 10 years

VILLAGE OF BURLINGTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Financing Sources (Uses)

In the fund financial statements, the transfers of cash between the various county funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The village adopted a budget for the 2004/2005 fiscal year for the General Fund only. Budgets were adopted for the special revenue funds and no public hearing was held. The budget adopted for the General Fund was not prepared in accordance with PA 2 of 1968, as amended, the Uniform Budgeting Act, as amended.

During the year, the village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Transfers (Out)		\$ 15,290	\$ (15,290)
Major Street Fund			
Public Works	\$ 1,225	2,401	(1,176)
Local Street Fund			
Public Works	32,430	49,750	(17,320)

VILLAGE OF BURLINGTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--BALANCE SHEET CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The village has designated two financial institution for deposit of the village funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized investments in accordance with the State statutory authority as listed above.

At year end, the village's deposits and investments were reported in the basic financial statements in the following category:

	<u>Governmental Activities</u>
Bank Deposits	<u>\$192,728</u>
Total	<u><u>\$192,728</u></u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the village's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized;
- b. Collateralized with securities held by the pledging financial institution; or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

VILLAGE OF BURLINGTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--BALANCE SHEET CASH AND INVESTMENTS (Continued)

At February 28, 2007, the bank balance of the primary government's deposits is \$193,832, of which \$157,422 is covered by Federal depository insurance and \$36,411 was uncollateralized.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of deposits.

Public Act 35 of 1997 requires village deposits to be held in a financial institution which maintains a principal office or branch office located in the State of Michigan. The village had no common cash deposits subject to foreign currency risk at February 28, 2007.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The village's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At February 28, 2007, the fair value of the village's investments is listed above with all maturities due within 12 months or less.

NOTE D--PROPERTY TAXES

Property Taxes

The village's 2006 ad valorem tax is levied and collectible on July 1, 2006. It is the village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the village operations. Property taxes are recognized when received. The 2006 State taxable valuation of village amounted to \$3,483,600, on which ad valorem taxes levied for all village purposes are \$34,318. There are 9.8516 mills for general operations recognized in the General Fund.

VILLAGE OF BURLINGTON

NOTES TO FINANCIAL STATEMENTS

NOTE D--PROPERTY TAXES (Continued)

Uncollected real property taxes, which become delinquent October 1, are purchased by Calhoun County and paid to the village in May of the subsequent year. The delinquent taxes at February 28th are recorded as delinquent taxes receivable.

Taxes Receivable--Delinquent

The taxes receivable delinquent in the General Fund consist of uncollected real property taxes levied July 1, 2006, which have not been collected at February 28, 2007. The delinquent property taxes receivable for the General Fund is \$7,904.

NOTE E--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables for the primary government are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 176	Local Street	\$ 556
Major Street	<u>380</u>		<u> </u>
Total	<u>\$ 556</u>		<u>\$ 556</u>

The 2007 operating transfers from Exhibits D can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
Primary Government		
General		\$15,290
Major Street		5,016
Local Street	<u>\$ 20,306</u>	<u> </u>
Total Primary Government	<u>\$ 20,306</u>	<u>\$20,306</u>

VILLAGE OF BURLINGTON
NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 10,000	\$ 25,000		\$ 35,000
Subtotal	<u>10,000</u>	<u>-</u>	<u>\$ -</u>	<u>35,000</u>
Capital Assets Being Depreciated				
Buildings	130,000			130,000
Equipment	1,918			1,918
Vehicles	39,852	34,431	7,550	66,733
Subtotal	<u>171,770</u>	<u>34,431</u>	<u>7,550</u>	<u>198,651</u>
Less Accumulated Depreciation for				
Buildings	104,062	3,250		107,312
Equipment	1,465	432		1,897
Vehicles	32,504	4,656	7,550	29,610
Subtotal	<u>138,031</u>	<u>8,338</u>	<u>7,550</u>	<u>138,819</u>
Net Capital Assets Being Depreciated	<u>33,739</u>	<u>26,093</u>	<u>-</u>	<u>59,832</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 43,739</u>	<u>\$ 26,093</u>	<u>\$ -</u>	<u>\$ 94,832</u>

The depreciation expense was \$8,338 during the year.

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$3,682
Public Works	<u>4,656</u>
Total Governmental Activities	<u>\$8,338</u>

VILLAGE OF BURLINGTON

NOTES TO FINANCIAL STATEMENTS

NOTE G--RISK MANAGEMENT

The Village of Burlington is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The village has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmen's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

VILLAGE OF BURLINGTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended February 28, 2007

EXHIBIT E

	BUDGETED		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and Penalties	\$ 35,610	\$ 35,610	\$ 35,455	\$ (155)
Licenses and Permits	280	280	-	(280)
State Grants	32,400	32,400	43,967	11,567
Interest and Rentals	2,645	2,645	5,737	3,092
Other Revenue	-	6,029	6,062	33
Total Revenues	70,935	76,964	91,221	14,257
Expenditures				
Current				
General Government	40,150	42,238	36,875	5,363
Public Works	9,860	15,197	10,485	4,712
Recreation and Cultural	19,000	8,434	5,079	3,355
Other	-	12,642	12,510	132
Capital Outlay	1,000	60,363	59,431	932
Total Expenditures	70,010	138,874	124,380	14,494
Excess of Revenues Over (Under) Expenditures	925	(61,910)	(33,159)	28,751
Other Financing Sources (Uses)				
Interfund Transfers In	-	25,882	-	(25,882)
Interfund Transfers (Out)	-	-	(15,290)	(15,290)
Total Other Financing Sources (Uses)	-	25,882	(15,290)	(41,172)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	925	(36,028)	(48,449)	(12,421)
Fund Balance--March 1, 2006	-	36,028	197,424	161,396
Fund Balance--February 28, 2007	\$ 925	\$ -	\$ 148,975	\$ 148,975

**VILLAGE OF BURLINGTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET--MAJOR SPECIAL REVENUE FUND
For the Year Ended February 28, 2007**

EXHIBIT F

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State Grants	\$ 44,530	\$ 44,530	\$ 19,672	\$ (24,858)
Interest and Rentals	154	154	3,241	3,087
Total Revenues	44,684	44,684	22,913	(21,771)
Expenditures				
Public Works				
Routine Maintenance	1,225	581	1,757	(1,176)
Winter Maintenance		644	644	-
Total Expenditures	1,225	1,225	2,401	(1,176)
Excess of Revenues Over (Under) Expenditures	43,459	43,459	20,512	(22,947)
Other Financing Sources (Uses)				
Interfund Transfers In		103,168	-	(103,168)
Interfund Transfers (Out)	(5,200)	(110,139)	(5,016)	105,123
Total Other Financing Sources (Uses)	(5,200)	(6,971)	(5,016)	1,955
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	38,259	36,488	15,496	(20,992)
Fund Balance--March 1, 2006	-	-	31,546	31,546
Fund Balance--February 28, 2007	\$ 38,259	\$ 36,488	\$ 47,042	\$ 10,554

VILLAGE OF BURLINGTON
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET--MAJOR SPECIAL REVENUE FUND
For the Year Ended February 28, 2007

EXHIBIT G

	BUDGETED AMOUNTS			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues				
State Grants	\$ 16,695	\$ 16,695	\$ 7,354	\$ (9,341)
Interest and Rentals	52	52	478	426
Total Revenues	<u>\$ 16,747</u>	<u>\$ 16,747</u>	<u>7,832</u>	<u>(8,915)</u>
Expenditures				
Public Works				
Routine Maintenance	430	31,864	49,184	(17,320)
Winter Maintenance		566	566	-
Total Expenditures	<u>430</u>	<u>32,430</u>	<u>49,750</u>	<u>(17,320)</u>
Excess of Revenues Over (Under) Expenditures	<u>16,317</u>	<u>(15,683)</u>	<u>(41,918)</u>	<u>(26,235)</u>
Other Financing Sources (Uses)				
Interfund Transfers In	5,200	51,855	20,306	(31,549)
Interfund Transfers (Out)		(51,819)	-	51,819
Total Other Financing Sources (Uses)	<u>5,200</u>	<u>36</u>	<u>20,306</u>	<u>20,270</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>21,517</u>	<u>(15,647)</u>	<u>(21,612)</u>	<u>(5,965)</u>
Fund Balance--March 1, 2006	<u>-</u>	<u>15,647</u>	<u>36,695</u>	<u>21,048</u>
Fund Balance--February 28, 2007	<u>\$ 21,517</u>	<u>\$ -</u>	<u>\$ 15,083</u>	<u>\$ 15,083</u>

VILLAGE OF BURLINGTON
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended February 28, 2007

EXHIBIT H

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Property Taxes				
Current and Delinquent	\$ 35,610	\$ 35,610	\$ 35,455	\$ (155)
Total Property Taxes	35,610	35,610	35,455	(155)
Licenses and Permits				
Business Permits	280	280	-	(280)
Total Property Taxes	280	280	-	(280)
State Grants				
Revenue Sharing	30,900	30,900	42,725	11,825
Metro Act	1,500	1,500	1,242	(258)
Total State Grants	32,400	32,400	43,967	11,567
Interest and Rentals				
Interest	970	970	1,539	569
Hall Rental	700	700	785	85
Vehicle Rental	925	925	3,383	2,458
Ball Park Rental	50	50	30	(20)
Total Interest and Rentals	2,645	2,645	5,737	3,092
Other				
Reimbursements	-	29	62	33
Sale of Capital Assets	-	6,000	6,000	-
Total Other Revenue	-	6,029	6,062	33
Total Revenue	70,935	76,964	91,221	14,257
Other Financing Sources				
Operating Transfers In	-	25,882	-	(25,882)
Total Other Financing Sources	-	25,882	-	(25,882)
Total Revenue and Other Financing Sources	\$ 70,935	\$ 102,846	\$ 91,221	\$ (11,625)

VILLAGE OF BURLINGTON
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended February 28, 2007

EXHIBIT I

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Village Council	\$ 10,485	\$ 7,187	\$ 5,736	\$ 1,451
Elections	1,200	1,200	183	1,017
Professional Services	-	497	497	-
Attorney Fees	-	2,093	2,092	1
Clerk	2,510	2,510	2,508	2
Treasurer	4,200	4,267	2,620	1,647
Building and Grounds	21,755	24,484	23,239	1,245
Total General Government	40,150	42,238	36,875	5,363
Public Works				
Street Lights	1,200	6,900	6,154	746
Department of Public Works	8,660	8,297	4,331	3,966
Total Public Works	9,860	15,197	10,485	4,712
Recreational and Cultural				
Community Promotion	-	1,434	1,434	-
Parks and Recreation	19,000	7,000	3,645	3,355
Total Recreational and Cultural	19,000	8,434	5,079	3,355
Other				
Payroll Corrections	-	-	(132)	132
Insurance and Fringes	-	12,642	12,642	-
Total Other	-	12,642	12,510	132
Capital Outlay	1,000	60,363	59,431	932
Total Capital Outlay	1,000	60,363	59,431	932
Other Financing Sources				
Operating Transfers (Out)	-	-	15,290	(15,290)
Total Other Financing Source	-	-	15,290	(15,290)
Total Expenditures	\$70,010	\$ 138,874	\$ 139,670	\$ (796)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

July 5, 2007

Village Council
Village of Burlington
356 East Leroy
Burlington, Michigan 49029

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Council Members:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Burlington, Mecosta County, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village of Burlington's basic financial statements and have issued our report thereon dated July 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Burlington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Village of Burlington's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Burlington's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the village's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the village's financial statements that is more than inconsequential will not be prevented or detected by the village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Burlington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings as items 2005-06, 2005-7, 2007-01, and 2007-02.

This report is intended solely for the information of the Burlington Village Council, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

VILLAGE OF BURLINGTON

SCHEDULE OF FINDINGS

STATUTORY COMPLIANCE

Expenditures in Excess of Appropriations

Finding 2005-06

Condition: Our examination of procedures used by the village to adopt and maintain operating budgets for the village's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The village's 2006/2007 General Appropriations Act (budget) provided for expenditures of the General Fund and special revenue funds to be controlled at the activity level by the village. During the fiscal year ended February 28, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and special revenue funds, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Transfers (Out)		\$ 15,290	\$ (15,290)
Major Street Fund			
Public Works	\$ 1,225	2,401	(1,176)
Local Street Fund			
Public Works	32,430	49,750	(17,320)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended.

Directive: We direct the village to develop budgetary control procedures for the General Fund which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Investment Policy

Finding 2005-07

Condition: As of February 28, 2005, the village council has not adopted an investment policy.

Criteria: According to Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the board no later than August 31, 1998.

Directive: We direct that an investment policy be established in accordance with Public Act 20 of 1943, as amended, and GASB Statement No. 40.

VILLAGE OF BURLINGTON

SCHEDULE OF FINDINGS

STATUTORY COMPLIANCE (Continued)

Electronic Transactions of Public Funds

Finding 2007-01

Condition: The Village of Burlington electronically transfers funds for payroll withholdings with no statutory authority.

Criteria: According to MCL 124.303: “A local unit shall not be a party to an ACH arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the ETO of the local unit has presented a written ACH policy to the governing body. The ACH policy shall include all of the following:

- a) That an officer or employee designated by the treasurer or ETO is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.
- b) That the officer or employee responsible for disbursement of funds shall submit to the local unit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit.
- c) A system of internal accounting controls to monitor the use of ACH transactions made by the local unit.
- d) The approval of ACH invoices before payment.
- e) Any other matters the treasurer or ETO considers necessary.”

Directive: We direct that the village adopt a resolution and a policy to authorize electronic transactions that includes the above mentioned items. A sample policy is attached.

Credit Card Policy

Finding 2007-02

Condition: The Village of Burlington is using credit cards without have a credit card policy adopted.

Criteria: Public Act 266 of 1995 requires a local unit to adopt, by **resolution, a written policy** that provides all of the following:

- a) A named officer or employee is responsible for the issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.

VILLAGE OF BURLINGTON

SCHEDULE OF FINDINGS

STATUTORY COMPLIANCE (Continued)

- b) That the credit card may be used only by an officer or employee for the purchase of goods or services for the official business of the local unit.
- c) The officer or employee using the credit card must submit documentation detailing the goods or services purchased, cost, date of the purchase, and the official business.
- d) The officer or employee issued the card is responsible for its protection and custody and shall immediately notify the local unit if the card is lost or stolen.
- e) The officer or employee must immediately surrender the card upon termination.
- f) For a system of internal controls to monitor the use of the credit card.
- g) Approval of credit card invoices **before** payment.
- h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- i) The policy must provide for disciplinary measures consistent with law for unauthorized use.
- j) Any other matters the governing body considers advisable.

Directive: We direct the village to adopt a credit card policy that includes the items listed above.